

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: INVESTIGATION INTO NATURAL GAS UTILITY METHODS OF SERVICE DISCONNECTION AFTER TERMINATION OF SERVICE	DOCKET NO. INU-03-2
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**ORDER OPENING DOCKET, COMMENCING INVESTIGATION,
AND DIRECTING RESPONSES**

(Issued April 22, 2003)

On December 24, 2002, the federal Department of Transportation, Office of Pipeline Safety (OPS), issued a letter of interpretation clarifying an OPS letter of interpretation issued October 11, 1978, concerning the safety standard in 49 CFR § 192.727(d). That safety standard provides that whenever service to a customer is discontinued, the operator must take one of three measures, specified in the rule, to prevent unauthorized persons from activating the flow of gas in the service line. The 1978 OPS interpretation stated that the provisions of § 192.727(d) apply when an interim period exists during which gas service is not requested by another party.

The issue addressed by the OPS in its December 24, 2002, letter was first raised at the National Conference of Regulatory Utility Commission Engineers in June 2002. A number of states were concerned about whether the local distribution companies in their jurisdictions were in compliance with § 192.727(d).

OPS, in the 2002 letter, stated that it was aware of the industry practice known as “soft closure” under which a utility continues to provide gas service to a property during the interval between termination of one customer’s account and the initiation of the successor’s account. In its 2002 interpretation, OPS stated that the federal standards do not indicate how soon a utility must discontinue service to a property when no subsequent customer has been identified for billing purposes. OPS concluded that the federal standards contained a general requirement at § 192.703(b) that each segment of pipeline that becomes unsafe be replaced, repaired, or removed from service. OPS stated that compliance with this standard is site-specific and the utility must determine what actions are consistent with the standard on a site-specific basis. The utility should be guided by whether a reasonable finder of fact would conclude that using the “soft close” option was consistent with the obligation to remove from service any pipeline segment that has become unsafe. The utility's procedures for making this determination are required to be incorporated in the utility's Operation and Maintenance (O&M) Plan, pursuant to § 192.605.

Board staff has learned that some utilities operating in Iowa have not been physically turning off gas under these circumstances. In response to informal staff inquiries, the utilities indicated that service was not physically turned off for economic reasons as well as for concerns over property damage in colder climates. In Iowa, three major natural gas utilities have indicated that they use some form of the practice of not turning off the gas at premises where no customer is responsible for payment.

Atmos Energy Corporation (Atmos) described a program it calls “soft close,” where the gas may remain on for an indefinite period. The gas consumed during this period is normally charged to the “Lost and Unaccounted For” account. If Atmos finds that the residence has become occupied during the period, Atmos may attempt to back bill the occupants. Atmos has not included this procedure in its O&M Plan or in its tariff.

MidAmerican Energy Company (MidAmerican) informed staff that it has a program called “Hot Lock,” pursuant to which MidAmerican may allow gas to remain on for up to 15 days pending the arrival of a new customer. The gas used during this period is accounted for as an expense. MidAmerican has not included this procedure in its O&M Plan or its tariff.

Interstate Power and Light (IPL) reported that it has no formal program for its procedures, but on an informal basis IPL may decide not to physically turn off gas where the customer terminates service and no new customer is immediately available to take service. IPL has not included this procedure in its O&M Plan or its tariff

The Board will open this docket to investigate natural gas utility practices and procedures for leaving gas turned on when a customer terminates service and no new customer is immediately responsible for payment at the premises. As part of the investigation, the Board will direct the natural gas utilities operating in Iowa that offer soft close or similar services to respond to the questions set out below.

QUESTIONS

If the natural gas utility allows gas service to remain turned on at premises where there is no customer responsible for payment, provide responses to the following questions. (This does not include premises where the landlord or another party assumes responsibility for gas service when the premises are vacant.)

1. Describe the rationale, rules, and practices for allowing gas service to remain turned on in the absence of a customer who is responsible for payment, including cost/benefit discussion.

2. Rate-regulated utilities should describe any efforts made to recover the cost of gas consumed at premises during the time there is no customer responsible for payment from the prior customer, from the new customer, or from any other customer.

3. Rate-regulated utilities should describe how the utility's accounting system records the unrecovered cost of gas consumed at premises where there is no customer responsible for payment.

4. Provide copies of any Operating and Maintenance Plan, tariff, or other written provisions related to any practices or procedures, whether formal or informal, for allowing gas service to remain turned on at premises where there is currently no customer responsible for payment.

5. Provide any additions or changes that have been made or that are proposed to be made to the utility's Operating and Maintenance Plan required by 49 CFR § 192.605 in response to the December 24, 2002, letter of

interpretation from OPS regarding the need for standards for determining whether gas can safely remain turned on to an unoccupied premise.

6. If there are no provisions in the utility's tariffs that allow gas to remain turned on at premises where there is no customer responsible for service, explain why these practices and procedures are not covered by the tariffs.

IT IS THEREFORE ORDERED:

1. Docket No. INU-03-2 is opened to investigate the practices and procedures of public gas utilities that allow gas to remain turned on at premises where there is no customer responsible for payment.

2. Interstate Power and Light Company, MidAmerican Energy Company, Aquila, Inc., d/b/a Aquila Networks, Atmos Energy Corporation, and any other gas utilities that allow service to remain on when there is no customer present shall provide responses to the questions set out in the order on or before May 15, 2003.

UTILITIES BOARD

/s/ Diane Munns

/s/ Mark O. Lambert

ATTEST:

/s/ Judi K. Cooper
Executive Secretary

/s/ Elliott Smith

Dated at Des Moines, Iowa, this 22nd day of April, 2003.